



Fortis (TSX:FTS) Is the Core Defensive Holding

Description

Fortis ([TSX:FTS](#))([NYSE:FTS](#)) is one of the best long-term options on the market. The stock appeals to investors both as an income producer and as a growth driver. This is just part of the reason why Fortis is a great core defensive holding for any portfolio.

What makes Fortis a core defensive holding?

There are plenty of utilities on the market. Many of them offer a handsome dividend, just like Fortis. Others have already expanded heavily into the field of renewables at a faster pace than Fortis. So what exactly sets Fortis apart from its peers? Let's answer that by mentioning several key points.

First, let's take a moment to acknowledge Fortis' size. The company is one of the largest utilities in North America. The company boasts 10 different utility operations across Canada, the U.S., and the Caribbean. In total, those operations consist of over \$56 billion in assets that collectively serve over 3.3 million customers.

In other words, the sheer size and reach of Fortis provide a stable revenue base for investors.

Speaking of revenue, let's now focus on utilities such as Fortis generate it. Fortis' assets are 99% regulated. Those facilities are bound under long-term contracts that provide a steady stream of recurring revenue in exchange for providing utility service. Furthermore, those regulated long-contracts can often span decades. This only adds to the stability of the already impressive business model.

One final point to mention is Fortis' dividend. Fortis provides investors with a quarterly dividend. The current yield works out to 3.90%, which is not the [highest yield](#) on the market but is one that is both respected and sustainable.

In fact, Fortis' not-so-exciting dividend is one of the best-kept secrets on the market. The company has provided consecutive annual bumps to that dividend for well over four decades. The company plans to continue that cadence in 2021, which will mark the 48th consecutive annual bump.

That factor alone makes Fortis a great core defensive holding for nearly any portfolio.

What about results?

Fortis is set to provide investors with an earnings update for the fourth fiscal of 2020 next month. Until then, we can take a look at how the company fared in Q3.

In that quarter, Fortis reported net earnings of \$292 million, reflecting a \$14 million increase over the same period in 2019. On an adjusted basis, the company earned \$302 million. This also reflected slight a bump over the same period last year, when Fortis reported \$287 million.

One interesting point of mention is Fortis' capital plan. The company continues to set aside funds to be used for both upgrading and transitioning facilities over to renewable energy. As of the most recently reported quarter, Fortis had spent \$2.9 billion on those initiatives in 2020. More importantly, the five-year capital plan allotment comes in at a whopping \$19.6 billion.

Those initiatives will keep both growth and dividend growth top of mind. Once again, this feeds into the view that Fortis makes a great defensive core holding.

Should you buy Fortis?

Fortis is a great long-term investment. The company operates in a stable segment is well diversified and continues to invest in strong long-term growth initiatives. In my opinion, Fortis is a [great long-term investment](#) that should be a core defensive holding for nearly every portfolio.

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Date

2025/08/21

Date Created

2021/01/16

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